

2000

Fairfax County Water Authority
Annual Report

Members of the Authority



Fred C. Morin
Chairman
Lee District
 Member since September 6, 1961
 Chairman since September 4, 1969



Harry F. Day
Vice Chairman
Mason District
 Member since July 16, 1987
 Vice Chairman since November 5, 1992

The Fairfax County Water Authority is governed by a board of ten members who are appointed by the Board of Supervisors of Fairfax County, Virginia, each for a term of three years. Three non-voting representatives are appointed by wholesale customers or jurisdictions served by the Authority.

Members of the Authority hold frequent public meetings—19 were held in 2000—to guide and oversee all aspects of our operation. In addition, board committees met regularly in 2000 to manage specific efforts: The Finance Committee reviewed our budget, Capital Improvement Program, and financial performance, while the Personnel Committee focused on employee programs, policies, and benefits. The Water Quality Committee met to maintain the excellence of our product and explore innovative treatment methods.



Constance M. Houston
Secretary
Providence District
 Member since July 31, 1989
 Secretary since February 2, 1995



Philip W. Allin
Treasurer
Sully District
 Member since April 7, 1992
 Treasurer since February 2, 1995



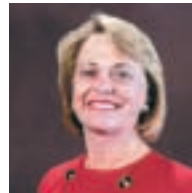
Bill G. Evans
Mount Vernon District
 Member since July 8, 1970
 Vice Chairman 1976–1986



Burton J. Rubin
Springfield District
 Member since July 1, 1984



Paul J. Andino
Braddock District
 Member since July 1, 1988



Pamela B. Danner
Dranesville District
 Member since July 1, 1992

Lalit Kumar Sharma
Non-Voting Representative
City of Alexandria
 Representative since 2000

Barry A. Cianflone
Non-Voting Representative
Prince William County
 Representative since 1981

Fred P. Griffith, Jr.
Non-Voting Representative
Town of Herndon and Loudoun County Sanitation Authority
 Representative since 1993



Richard G. Terwilliger
At-Large Member
 Member since July 1, 1997



Martha V. Pennino
Hunter Mill District
 Member since October 19, 1998



Highlights

Water Sales
(in millions)

\$65.3

Total Revenue
(in millions)

\$109.9

Average Daily
Production (mgd)

129.9

Customers

216,479

Miles of
Water Main

2,980

Fire
Hydrants

19,772

Authorized
Employees

390

Authority Staff



Charlie C. Crowder, Jr.
General Manager



James A. Warfield, Jr.
Executive Officer



Thomas P. Bonacquisti
Director
Water Quality and
Production Division



C. David Binning, Jr.
Director
Planning and Engineering Division



Robert C. Spengler
Director
Finance Division



Ibrahim J. "Abe" Homsy
Director
Maintenance and Emergency
Services Division



David L. Rasmussen
Director
Support Services Division

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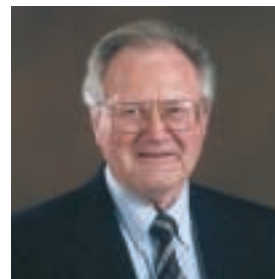


As a good neighbor, the Authority has used innovative design in constructing pumping stations. These pump stations blend in with their surroundings.



The Authority has been a good steward of the environment for more than 43 years.

Chairman's Letter



The year 2000 was remarkable for achievements in water quality. Our Corbalis Water Treatment Plant became the first in Virginia, and one of the few plants in the nation, to treat its water with ozone—a powerful oxidant and disinfectant. Progress was made with the State of Maryland in pursuit of the Authority's efforts to build a replacement intake along the Potomac River to take in cleaner water. Construction began in early 2001. And finally, work continued on schedule in building our new state-of-the-art water treatment plant at Lorton.

The Authority achieved another milestone in 2000, becoming the only independent public water agency in the United States assigned a triple A bond rating—the highest bond rating possible. Citing “an ongoing record of solid financial management and a manageable capital improvement program,” Standard and Poor's also noted the Authority's strong economic base and low water rates as reasons for the upgrade.

The Authority has been a good steward of the environment for over 43 years. I believe that this report pre-

sents an appropriate opportunity to mention this often overlooked aspect of Authority achievement.

By 1972, the amount of pollutants discharged into the Occoquan watershed had steadily increased. Pollutants entered the reservoir, increasing the growth of algae, killing fish, and causing taste and odor problems. In response, the Authority and surrounding localities adopted an innovative management policy. That policy provided for an independent body to monitor the water quality on the Occoquan Reservoir to minimize the impact of pollutants in the watershed.

For more than 20 years, the Authority has been at the forefront of water conservation with its use of reclaimed water. This reuse program conserves water while providing a dependable supply of water.

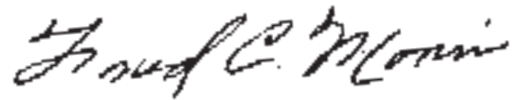
At the Corbalis Water Treatment Plant, along the Potomac River, the sediment removed from the water is not discharged back into the Potomac River. Instead, about \$500,000 a year is spent to haul the sediment away for reuse, rather than return it to the river. The construction of the new Potomac River

intake will greatly reduce these and other costs.

As a good neighbor, the Authority has been innovative in the construction of pumping stations. A barn, a townhouse, and tennis court are pumping stations that reside comfortably in communities, while serving our customers with exceptionally reliable water service.

In 2000, concern for the environmental condition of our watersheds led to the award of a series of grants to support source water protection efforts and community activities related to water supply.

As we enter the new millennium, the Authority takes pride in its continued commitment to sound planning, state-of-the-art technology, and a respect for the environment. The Authority's progress in 2000 is outlined in this report.



Fred C. Morin
Chairman
Fairfax County Water Authority

Ozone generators began operating at the Corbalis Water Treatment Plant in December 2000.



Executive Report

Major progress was made in water quality in 2000. The Authority's Corbalis Water Treatment Plant became the first in Virginia, and one of the few plants in the nation, to treat its water with ozone. Ozone treatment adds an additional barrier against waterborne pathogens such as *Cryptosporidium* and *Giardia*, significantly reduces dissolved organics, lowers the amount of chlorine needed to treat water, and ultimately improves the quality of drinking water.

In another major water quality effort, progress was made with the State of Maryland on the issue of building a replacement intake along the Potomac

River. Construction began in early 2001. The new intake will take in cleaner water than is possible from the current shoreline intake.

Construction of the Frederick P. Griffith, Jr. Water Treatment Plant in Lorton, Virginia, began in May 2000. Work on the associated raw water facilities started in July. The Griffith Plant, which will be a state-of-the-art water treatment facility, is scheduled for completion in 2003.

In 2000, the Authority and the other major providers of water in the region, the U.S. Army Corps of Engineers'

Workers at the construction site of the Griffith Water Treatment Plant install a 96-inch filter drain.



Washington Aqueduct Division and the Washington Suburban Sanitary Commission, asked the Interstate Commission on the Potomac River Basin to examine future water demands and water supply availability through 2020.

The resulting study assessed the ability of regional water resources to meet the water supply needs of the Washington metropolitan area as it continues to grow. Two demand forecast scenarios (most likely and high growth) were compared with available resources. Assuming a repetition of the 1930–31 “drought of record,” the study found current resources adequate to meet both the most likely and high growth estimates of 2020 demands.

In February 2000, the Occoquan High Dam underwent repairs, replacing sediment bedload barriers with 23-foot-long panels of galvanized steel.

In May, the Authority became the only independent public water agency in the United States assigned a triple A bond rating—the highest bond rating possible. According to Standard & Poor’s, the rating upgrade from double A reflected “an ongoing record of solid financial management and a manageable capital improvement program.”

Also in 2000, Authority community outreach efforts to improve water quality resulted in grants to five area community groups for projects related to water supply and source water protection.

In February 2000, the Occoquan High Dam underwent repairs. A helicopter was used to lift 23-foot-long steel panels of corrosion-resistant galvanized steel, which were then placed along the outside of the water intake at the dam. Divers, in wet suits to combat frigid temperatures, then bolted the panels in place.



The Potomac River Intake Issue

The Need for a Potomac Offshore Water Intake

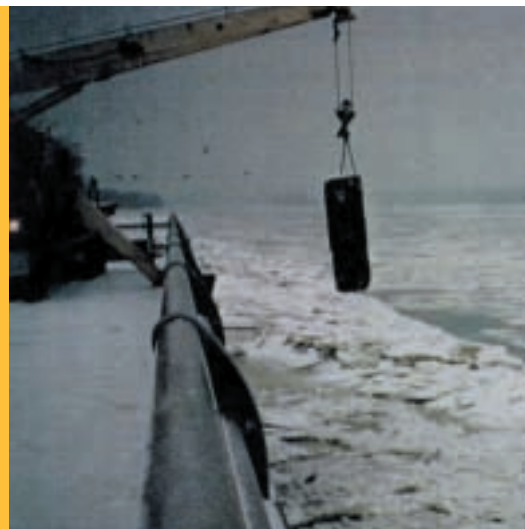
The Fairfax County Water Authority began planning for the construction of an offshore intake pipe in the Potomac River in 1992. The offshore pipe was needed to replace the existing shoreline raw water intake that has been clogged on numerous occasions by grass, leaves, and ice, resulting in partial and sometimes total shutdowns of the Authority's Corbalis Treatment Plant. The plant provides a critical raw source for the 1.2 million Northern Virginians whose water is supplied by the Authority.

The new intake was also needed to obtain a cleaner source of water—an

important barrier to water-borne pathogens. A basic tenet of water supply science is to use the best source water obtainable and erect every feasible barrier between raw water and finished drinking water. Turbid water at the shore has the potential to contain proportionately more *Cryptosporidium* oocysts and *Giardia* cysts than the cleaner offshore water, and it is more difficult to treat. (*Cryptosporidium* caused the death of 100 people and illness to 400,000 more in Milwaukee in 1993.) Another turbidity issue is cost. Each year, the treatment plant takes in 4,000 to 8,000 tons of sediment from

[continued on page 10](#)

In 1994, ice storms froze the Potomac River, reducing intake flow by 75 percent. A total shutdown appeared imminent until the Authority improvised a solution. A jersey barrier attached to a crane chopped repeatedly into the river, displacing ice around the intake.



Potomac River Compact History

In 1785, the State of Maryland and the Commonwealth of Virginia entered into a Compact following protracted disputes concerning each jurisdiction's efforts to regulate fishing and passage of vessels in the Potomac and other territorial waters. The Compact gave broad rights to citizens of both jurisdictions to use the river.

In 1894, the U.S. Supreme Court held that the Compact was valid under the Articles of Confederation, which were in force when the Compact was adopted. The Court also found that the Compact's validity continued after the ratification of the new Constitution in 1789, and that Congress further consented to the Compact when it confirmed the Black-Jenkins Award in 1879. The Black-Jenkins Award resulted in a determination, among other things, that the boundary between Maryland and Virginia lay at the low-water mark on the southern shore. However, it also provided that:

Virginia is entitled not only to full dominion over the soil to low-water mark on the south shore of the Potomac, but has a right to such use of the river beyond the line of low-water mark as may be necessary to the full enjoyment of her riparian ownership, without impeding the navigation or otherwise interfering with the proper use of it by Maryland, agreeably to the compact of seventeen hundred and eighty-five...

Maryland attempted unilaterally to abrogate the Compact in 1957. Virginia responded by filing suit against Maryland in the Supreme Court. The controversy ultimately led to the negotiation of the Potomac River Compact of 1958, which was subsequently ratified by both jurisdictions and also approved by Congress.

Although the Potomac River Compact of 1958 replaced the Compact of 1785 and dealt principally with the protection of fishing, it expressly recognized Virginia's rights concerning the construction of "wharves and improvements" in the Potomac that had been protected by Article VII of the Compact of 1785. Thus, Article VII, Section 1, of the Potomac River compact provided:

The rights, including the privilege of erecting and maintaining wharves and other improvements, of the citizens of each State along the shores of the Potomac River adjoining their lands shall be neither diminished, restricted, enlarged, increased nor otherwise altered by this compact, and the decisions of the courts construing that portion of Article VII of the Compact of 1785 relating to the rights of riparian owners shall be given full force and effect.

continued from page 8

Potomac River water. Using water further from shore will reduce this by 50 percent, saving processing, removal, storage, and transportation costs in excess of \$500,000 a year.

An offshore intake would reduce exposure to events affecting the quality of water along the shore. In 1993, a rupture in the Colonial Pipeline Company's transmission line near Herndon spilled petroleum into Sugarland Run. The spill was large enough to require the Corbalis Plant to close for two weeks—a step that would have been far less likely had the intake been located offshore. A water supply emergency was averted because the spill occurred when water demands were low, and the Authority was able to supply the entire system from the Occoquan during the crisis.

Background and Sequence of Events

Maryland requires that anyone seeking to withdraw water from the Potomac River secure a state “appropriation” permit. Appropriation permits have been routinely granted to the Authority for withdrawals as the amount of water required in Virginia has increased. Currently, the Authority is permitted to withdraw an annual average of 100 million gallons a day (mgd) from the Potomac with a maximum day withdrawal of 200 mgd.

On January 4, 1996, the Fairfax County Water Authority applied to the

Maryland Department of the Environment (MDE) for a permit to construct a replacement raw water intake along the Potomac River.

The Authority received a construction permit from Montgomery County, a clearance from the U.S. Fish and Wildlife Service, and a permit from the U.S. Army Corps of Engineers. These permits constituted a finding that the project would not cause environmental damage. Despite this, and after protracted proceedings, MDE denied the permit on December 10, 1997.

Subsequently, the Authority's application for a “contested case hearing” before a Maryland Administrative Law Judge (ALJ) was granted. After hearing MDE's witnesses, the Honorable Neile Friedman found that MDE had been unable to show that the project would cause any environmental damage and ruled that MDE should have granted the Authority's permit.

On May 30, 2000, the U.S. Supreme Court agreed to hear a case filed by the Commonwealth of Virginia against the State of Maryland regarding Virginia's access to the Potomac River. The suit filed by Virginia seeks clarification as to whether previous compacts between the two states (see Potomac River Compact History on page 9) were applicable upstream of the tidal portion of the Potomac River. The suit also questioned whether Maryland has the right to require Virginia to obtain permits to

construct improvements to properties on the Virginia shore and to withdraw water from the Potomac River. On October 10, 2000, the Supreme Court appointed The Honorable Ralph I. Lancaster, Jr., as special master, to conduct hearings, collect evidence, and make recommendations to the high court.

On November 6, 2000, Bernard A. Penner, Maryland's Final Decision-Maker in the contested case proceeding between the Maryland Department of the Environment and the Authority over the Potomac Intake, issued a Final Decision in the matter. The decision concurred with Maryland's ALJ, Neile Friedman, who twice had ruled that the permit be granted. He found that issuance of a permit to construct the offshore intake would not have a significant adverse environmental impact on the Potomac River, would promote the public welfare, and was in the best public interest. Addi-

tionally, he concurred with the ALJ that MDE had failed to show that the permit should be denied.

On December 5, 2000, Maryland filed an appeal in Baltimore Circuit Court to stay the approval of the offshore intake project by the Maryland Department of the Environment, putting Maryland in the unprecedented position of suing to stop a decision of its own department. But on January 16, 2001, the Baltimore City Circuit Court denied Maryland's motion and ordered MDE to issue the waterway construction permit. On January 24, 2001, the Maryland Department of the Environment complied with the court order and issued a waterway construction permit to the Fairfax County Water Authority for a drinking water intake project on the Potomac River.

Construction began in February 2001.

Work on construction of the replacement intake began in February 2001. When construction is complete, the underwater intake will extend 725 feet from the shoreline.



Aerial photography by Patrick J. Hendrickson

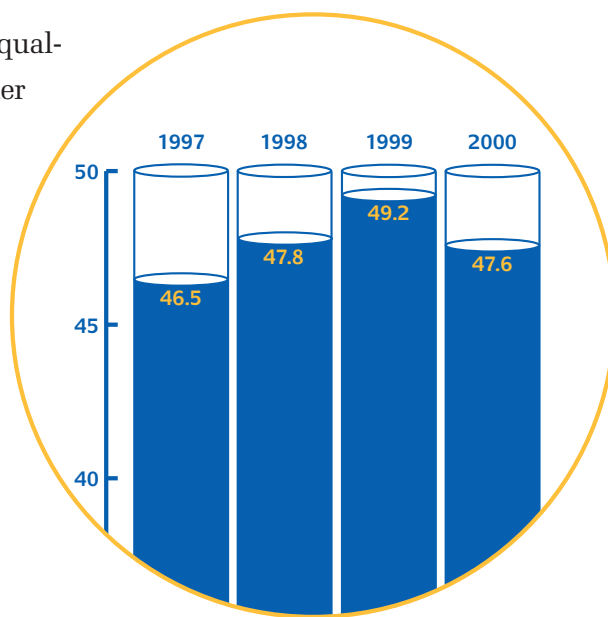
Water Quality and Production

In December 2000, the Corbalis Water Treatment Plant became the first water treatment plant in Virginia, and one of the few in the nation, to treat its water with ozone. A powerful oxidant and disinfectant, ozone gas is bubbled through the settled water in large ozone contact chambers. Ozone treatment adds an additional barrier against waterborne pathogens such as *Cryptosporidium* and *Giardia*, significantly reduces dissolved organics, lowers the amount of chlorine that is needed to treat water, and ultimately improves the quality of the drinking water.

To ensure a high level of water quality, the Authority monitors water sources and the distribution system very closely, testing three to four times more than the mini-

imum required by law. The water, which is tested at the Authority's laboratory at the Corbalis Water Treatment Plant, meets or exceeds every water quality standard. The Commonwealth of Virginia certifies the laboratory for drinking water analysis.

The Authority's Annual Water Quality Report for 2000 was sent to customers in June and posted on the Authority web site: www.fcwa.org.



Annual Water Production
(Billions of Gallons)



Our water meets or exceeds every water quality standard.

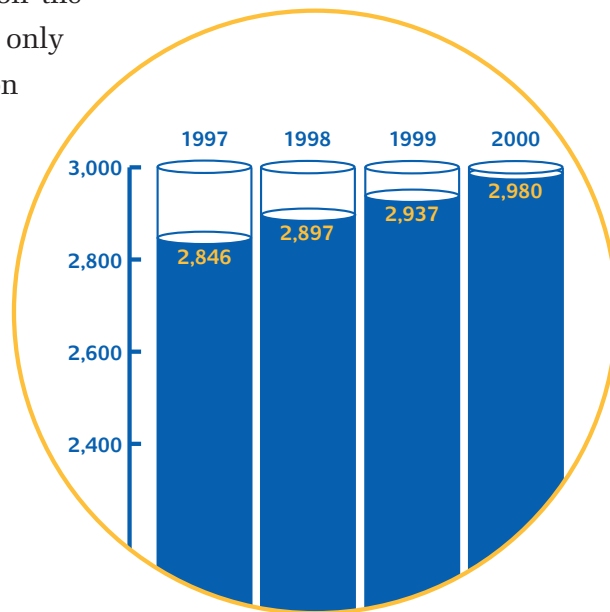
Planning and Engineering

In 2000, a \$566.8 million Ten-Year Capital Improvement Program was established to maintain and improve our water system. An important part of this Program is the construction of the Frederick P. Griffith, Jr. Water Treatment Plant, scheduled to begin operation in 2003. Construction progress in 2000 included completion of rough grading and the beginning of concrete work on several structures. Approximately 2,500 cubic yards of concrete were poured in the construction of filter basins, a clearwell, and operations buildings.

By the end of 2000, progress on the Griffith Raw Water Facilities left only 200 feet of mining to be done on the 700-foot tunnel under the

Occoquan River that will carry water from the reservoir to the treatment plant. The nine-foot diameter tunnel being dug under the Occoquan River will hold an 84-inch-diameter raw water pipe, electrical and control cable conduits, that will be encased in concrete.

Additionally, work began on designs for a new Central Laboratory and Visitor Education Center at the main entrance to the Corbalis Water Treatment Plant.



Water Mains in Service
(Miles of Pipe)

The Frederick P. Griffith, Jr. Water Treatment Plant is scheduled to begin operation in 2003.



Aerial photography by Patrick J. Hendrickson

By the end of 2000, rough grading at the Griffith Water Treatment Plant construction site had been completed and concrete work started in several structures.



Customer Service

Responding to our customers' needs quickly and efficiently is the goal of our Customer Service Department. Each customer's call, whether for emergencies or routine assistance, is given the highest priority until resolved.

In 2000, customer service representatives responded to 233,000 calls for service. Meter readers read more than 872,000 meters. Field service personnel, who are available 24 hours a day, seven days a week, responded to 110,000 calls for service.

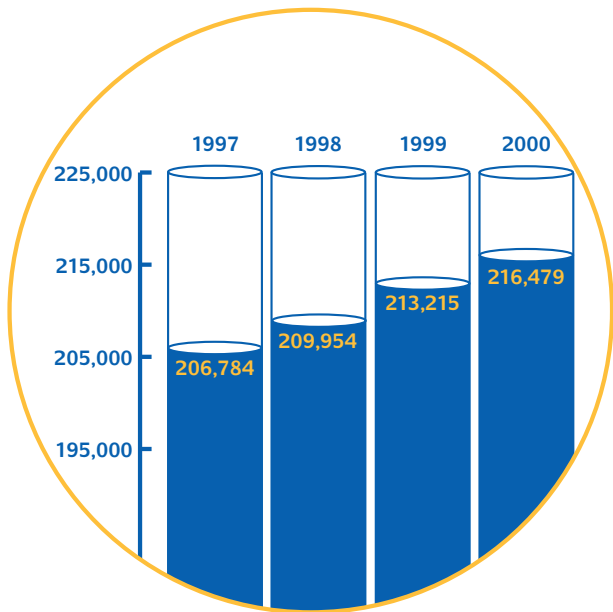
Customer Service is also concerned with improving the efficiency of operations as they affect Authority customers. In 2000, a new technology—automated meter reading—was put into service on some of our wholesale customer meters. This new system will save money and improve our efficiency in accessing this important information.

2000 Retail Units Served

Single Family Homes	146,614
Town Homes	58,917
Apartments	71,613
Commercial	7,055
Municipal	953

Metered Connections in 2000

216,479



Metered Connections



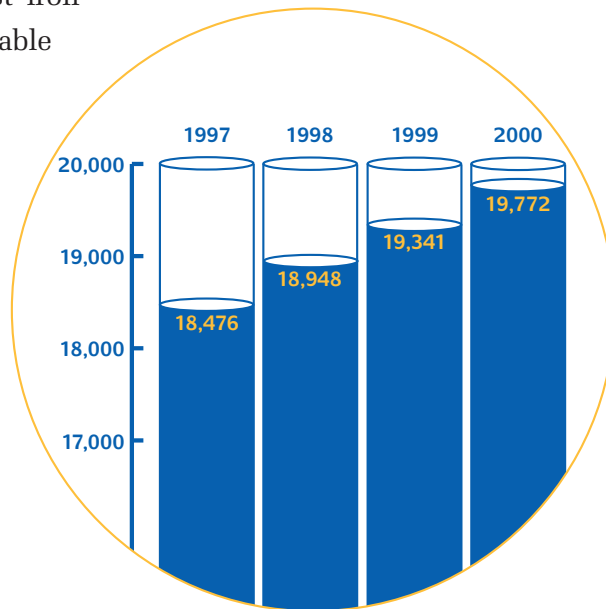
Responding to our customers' needs quickly and efficiently is the goal of our Customer Service Department.

Maintenance and Emergency Services

The reliability of service provided by the Authority depends on its maintenance and emergency services personnel. They work around the clock to keep water treatment plants, pump stations, service facilities, and vehicles operating efficiently.

During the year, the Authority continued its comprehensive annual hydrant flushing program, which included inspecting the integrity and reliability of 15,730 fire hydrants. A total of 306 water main breaks in its system of 2,980 miles of water mains were repaired, and more than \$1 million of old cast iron water pipe was replaced with reliable ductile iron pipe.

The Authority renovated and overhauled major pumps at critical pump stations, overhauled hydropower generators at its dam in Occoquan, and replaced over six miles of aeration lines in the Occoquan Reservoir. Last fall, excessive amounts of vegetation clogging the Potomac River shoreline intake were removed.



Hydrants in Service



The reliability of service provided by the Authority depends on its maintenance and emergency services personnel.

Finance

On May 24, 2000, the Authority became the only independent public water agency in the United States assigned a triple A bond rating—the highest bond rating possible. Standard & Poor’s assigned the new rating in anticipation of the Authority’s issuance of \$51 million in revenue bonds in June. Additionally, the Authority’s \$330 million in outstanding debt was upgraded to triple A.

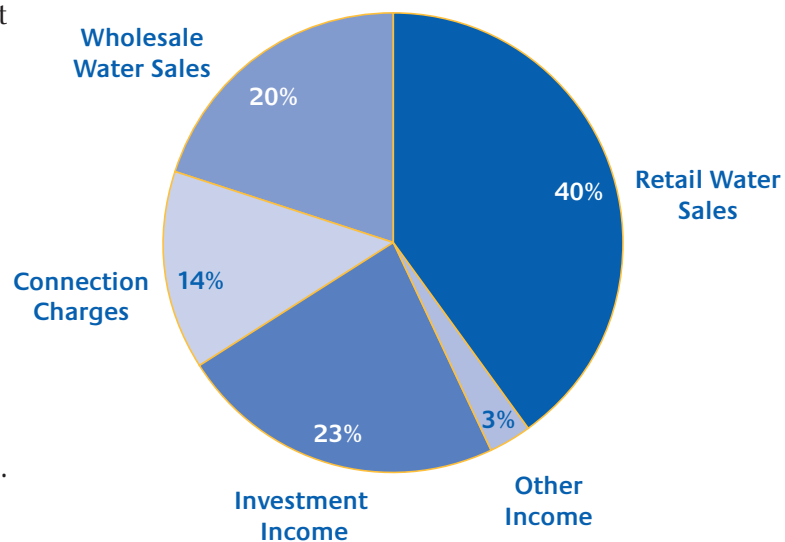
According to Standard & Poor’s, the rating upgrade from double A reflected “an ongoing record of solid financial management and a manageable capital improvement program, which is projected to be less than 20 percent debt financed.” The rating agency also cited the strong economic base of the Authority’s service area and low water rates as additional reasons for the upgrade.

Each year, the Authority performs a review of existing rates using methodologies developed during a comprehensive, independent study conducted in 1997.

These methodologies were developed to ensure the accuracy and fairness of the Authority’s rates. As a result, the Authority increased the commodity charge by five cents. Even with this increase, Authority rates remain the lowest in the region.

Total Water Sales Revenue:

\$65,300,000



2000 Revenue Components
(As a Percentage of Total Income)



In 2000, the Authority became the only independent public water agency in the United States assigned a triple A bond rating.

Fairfax County Water Authority

*Financial Statements for the Years Ended December 31,
2000 and 1999, and Independent Auditors' Report*

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Independent Auditors' Report

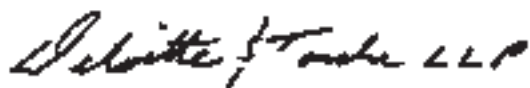
To the Members of Fairfax County Water Authority
Merrifield, Virginia

We have audited the accompanying balance sheets of Fairfax County Water Authority (the Authority) as of December 31, 2000 and 1999, and the related statements of operations and accumulated net income, and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

March 26, 2001



Balance Sheets

December 31, 2000 and 1999

Assets	2000	1999
Utility Plant (Note 4):		
In service	\$ 1,031,767,045	\$ 997,874,477
Less accumulated depreciation	(186,823,042)	(172,197,270)
Net utility plant in service	844,944,003	825,677,207
Construction in progress	42,233,385	7,745,212
Investments held for construction (Note 3)	19,009,031	18,143,815
Net utility plant	906,186,419	851,566,234
Current Assets:		
Cash and cash equivalents, including amounts held with trustee of \$2,693,137 and \$221,471 (Note 3)	35,404,761	5,198,264
Short-term investments (Note 3)	49,896,210	25,439,585
Customers' receivables, net of allowance for doubtful accounts	2,337,121	1,726,919
Unbilled revenue	5,957,706	5,603,146
Materials and supplies, at average cost	2,537,282	2,443,395
Other current assets	3,676,248	2,907,892
Total current assets	99,809,328	43,319,201
Deferred Charges and Other Assets:		
Restricted investments (Note 3)	14,394,420	13,402,525
Investments held in escrow (Notes 3 and 12)	30,061,939	27,178,576
Other investments (Note 3)	177,386,808	184,395,858
Unamortized debt discount and expense	16,992,863	16,458,318
Costs to be recovered from future revenues (Note 5)	18,617,077	17,309,811
Total deferred charges and other assets	257,453,107	258,745,088
Total Assets	\$ 1,263,448,854	\$ 1,153,630,523

See notes to financial statements.

Balance Sheets

December 31, 2000 and 1999

Capitalization and Liabilities	2000	1999
Capitalization:		
Contributed capital (Note 6)	\$ 226,637,891	\$ 221,171,207
Accumulated net income	618,322,052	573,762,837
	844,959,943	794,934,044
Bonds payable, net of current maturities (Note 7)	365,317,096	319,514,715
Total capitalization	1,210,277,039	1,114,448,759
Current Liabilities:		
Retained on construction contracts	1,922,098	434,677
Bonds payable, current maturities (Note 7)	6,020,000	4,650,000
Accrued interest on bonds payable	5,141,308	4,483,314
Accounts payable	11,265,687	5,218,457
Accrued expenses	3,282,837	3,052,605
Total current liabilities	27,631,930	17,839,053
Deferred Credits and Other Liabilities:		
Unearned service connection, local facility and availability charges	21,034,959	16,911,087
Refundable construction advances (Note 6)	4,504,926	4,431,624
Total deferred credits and other liabilities	25,539,885	21,342,711
Total Capitalization and Liabilities	\$ 1,263,448,854	\$ 1,153,630,523

(Concluded)

[See notes to financial statements.](#)

Statements of Operations and Accumulated Net Income

Years Ended December 31, 2000 and 1999

	2000	1999
Operating Revenues:		
Sales to retail customers	\$ 43,461,384	\$ 45,632,327
Sales to wholesale customers (Note 12)	21,848,252	19,753,199
Service connection charges	1,340,515	1,433,706
Other	770,392	871,087
Total operating revenues	67,420,543	67,690,319
Operating Expenses:		
Supply facilities	2,527,624	1,695,272
Treatment facilities	12,996,292	13,067,766
Transmission system	2,012,168	2,056,563
Distribution system	6,883,431	6,767,300
Administrative and general	9,370,536	8,028,105
Total operating expenses	33,790,051	31,615,006
Income from operations before depreciation	33,630,492	36,075,313
Depreciation	(15,222,311)	(14,631,854)
Income from operations	18,408,181	21,443,459
Costs to be recovered from future revenues (Note 5)	1,307,266	1,123,289
Nonoperating Revenues:		
Availability charges	14,282,402	15,437,453
Local facility charges	299,469	1,170,240
Investment income - net of \$1,196,039 and \$1,169,982, offset to interest capitalized in 2000 and 1999, respectively	24,835,608	4,687,206
Other	3,090,742	3,386,905
Total nonoperating revenues	42,508,221	24,681,804
Nonoperating Expenses:		
Interest expense - net of \$2,631,233 and \$2,706,224, capitalized to utility plant in 2000 and 1999, respectively	17,625,290	16,275,872
Other	39,163	49,416
Total nonoperating expenses	17,664,453	16,325,288
Net income	44,559,215	30,923,264
Accumulated Net Income, Beginning of Year	573,762,837	542,839,573
Accumulated Net Income, End of Year	\$ 618,322,052	\$ 573,762,837

See notes to financial statements.

Statements of Cash Flows

Years Ended December 31, 2000 and 1999

	2000	1999
Cash Flows from Operating Activities:		
Cash received from customers	\$ 123,956,579	\$ 124,308,204
Cash paid to suppliers and employees	(33,159,333)	(33,604,874)
Sewer collections remitted	(56,019,219)	(56,096,445)
Net cash provided by operating activities	34,778,027	34,606,885
Cash Flows from Nonoperating Activities:		
Cash received from customers	21,314,587	21,479,564
Cash paid to suppliers and employees	(1,309,776)	(1,382,442)
Net cash provided by nonoperating activities	20,004,811	20,097,122
Cash Flows from Capital and Related Financing Activities:		
Net bond proceeds	50,300,38	-
Principal paid on bonds	(4,650,000)	(4,460,000)
Interest paid on revenue bonds	(18,611,081)	(18,028,080)
Construction of utility plant	(55,812,997)	(37,738,976)
Proceeds from disposition of equipment	352,650	82,394
Contributions by developers	762,107	1,369,116
Net cash used in capital and related financing activities	(27,658,933)	(58,775,546)
Cash Flows from Investing Activities:		
Gross purchases of investments	(217,249,937)	(189,345,173)
Gross sales and maturities of investments	205,444,608	180,509,597
Cash received (paid) for accrued interest purchased	89,804	(49,070)
Interest received	14,798,117	13,756,332
Net cash provided by investing activities	3,082,592	4,871,686
Net Increase in Cash and Cash Equivalents:	30,206,497	800,147
Cash and Cash Equivalents, Beginning of Year	5,198,264	4,398,117
Cash and Cash Equivalents, End of Year	\$ 35,404,761	\$ 5,198,264

See notes to financial statements.

Notes to Financial Statements

Years Ended December 31, 2000 and 1999

1. The Authority

The Fairfax County Water Authority (the Authority) is a public body, corporate and politic, exercising public and essential governmental functions in the Commonwealth of Virginia. The Authority was created by the Board of Supervisors of Fairfax County, Virginia, and chartered by the State Corporation Commission in 1957 for the purpose of establishing and operating a comprehensive county-wide water system. The management is vested in a board of ten members appointed by the Board of Supervisors.

2. Accounting Policies

The significant accounting policies followed in the preparation of the Authority's financial statements are summarized as follows:

Reporting Entity—To determine the appropriate reporting entity for the Authority, its relationship with Fairfax County (the County) was considered in terms of financial accountability as defined in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*. Based on the application of these criteria, the Authority is not a component unit of the County and all governmental entities operating within the County are excluded from the Authority's financial statements. Although the members of the Authority's Board of Directors are appointed by the Fairfax County Board of Supervisors, the County is not financially accountable for the Authority. In addition, there is no potential for the Authority to provide specific financial benefit to, or impose specific financial burdens on the County, and the Authority is not fiscally dependent on the County.

Basis of Accounting—Because the Authority derives its revenues from user charges of the general public, it is considered an enterprise fund. Accordingly, the Authority uses the accrual basis of accounting as prescribed for water utilities.

In accordance with GASB Statement No. 20, the Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

New Accounting Standards—During 1998, the GASB issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Compliance with Statement No. 33 will be mandatory for the Authority for the year ending December 31, 2001. During 1999, the

GASB issued Statement No. 34, *Basic Financial Statements—Management’s Discussion and Analysis; for State and Local Governments*. Compliance with Statement No. 34 will be mandatory for the Authority for the year ending December 31, 2003. The impact on the Authority’s balance sheet and statement of operations has not yet been determined.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues—Rates, fees, and charges for wholesale and retail customers are established to provide sufficient funds to cover the cost of operations, debt service, and essential repairs and improvements to the utility plant. Metered sales are recognized as revenue as water is used by customers. Availability, local facility, and service connection charges are paid by retail customers for each new service connection and meter installation. These charges are recognized as revenue as service connections are made.

Cash and Cash Equivalents—Cash and cash equivalents consist of deposits with initial terms of maturity of three months or less and are recorded at cost, which approximates market.

Utility Plant—The utility plant in service is carried at cost, which includes associated payroll, fringe benefits, administrative costs, and interest charges on debt-financed construction. The Authority accounts for utility plant purchases in the aggregate by year of purchase and depreciates these costs over an estimated useful life of 1-1/2% of the average utility plant balance. Recurring normal maintenance and repair costs are charged to operations, whereas major repairs, improvements, and replacements are capitalized. Interest earned on bond proceeds to be used for utility plant construction and temporarily invested during the construction period is offset against the amount of interest expense capitalized.

Depreciation—The utility plant in service is depreciated on the straight-line basis at a composite rate of 1-1/2% of the average utility plant balance.

Unamortized Debt Discount and Expense—Debt discount and bond issuance costs are amortized over the life of the related bond issue using the effective interest rate and straight-line methods, respectively. The current year amortization is included in interest expense.

Vacation and Sick Pay—Employees earn vacation and sick pay based on a prescribed formula that allows employees to accumulate a maximum of 40 days in vacation pay and an unlimited amount of sick pay. Sick pay vests with the employee at an average rate of \$3.68 per hour. The value of vacation and sick pay earned but not used by the Authority’s employees is accrued as a liability.

3. Cash and Investments

Cash and investments consist of investments held for construction, cash in banks, short-term investments, restricted investments, investments held in escrow and other investments.

- a. **Cash and Cash Equivalents**—Cash in bank accounts is insured by the FDIC and/or collateralized in accordance with the Virginia Security for Public Deposits Act.

As of December 31, 2000 and 1999, the Authority held \$5,205,000 and \$5,410,000, respectively, in repurchase agreements, which have been classified as cash and cash equivalents. The repurchase agreements matured on January 2, 2001, and January 3, 2000, respectively. The repurchase agreements held at the end of each year were collateralized by U.S. Government securities and were held in an account with First Union National Bank in the Authority's name.

As of December 31, 2000 and 1999, the Authority held \$30,516,001 and \$221,471 of short-term investment classified as cash equivalents. Short-term investments consist of investments in the Commonwealth Cash Reserve Fund and STI Classic Fund, which are money market funds.

- b. **Investments**—Investments are reported at fair market value, with any related gain or loss reported in the statement of operations. Restricted investments represent investments held by the Trustee for debt service in accordance with applicable bond covenants. All investments are held by agents of the Authority in the Authority's name and consist of U.S. Treasury and U.S. Agency securities and Resolution Funding Corporation stripped securities (REFCO Strips). Accrued interest at December 31, 2000 and 1999, of approximately \$11,735,916 and \$10,770,248, respectively, on the REFCO Strips is classified with the REFCO Strips in investments held in escrow. Maturity dates of the investments determine the balance sheet classification.

Cash and cash equivalents and investments are categorized to give an indication of the level of risk assumed by the Authority. All investments are classified as Category 1 as defined by Statement No. 3 of the Governmental Accounting Standards Board. Category 1 includes repurchase agreements and investments that are insured or registered or for which the securities are held by the Authority or by its agents in the Authority's name.

The market value of investments as of December 31, 2000 and 1999, was \$290,748,408 with a carrying cost of \$282,265,694 and \$268,560,359 with a carrying cost of \$275,121,374, respectively.

4. Utility Plant in Service

The utility plant in service consists of the following facilities at December 31, 2000 and 1999:

	2000	1999
Water supply	\$ 75,941,620	\$ 73,248,943
Water treatment	231,388,873	228,926,532
Transmission	233,466,665	228,780,156
Distribution	332,905,991	323,588,911
General plant	158,063,896	143,329,935
	<u>\$ 1,031,767,045</u>	<u>\$ 997,874,477</u>

5. Costs to be Recovered by Future Revenues

The cost recovery rate model of the Authority was established to generate sufficient revenues to cover annual operation and maintenance costs, debt service, certain additions, betterments and extensions, and extraordinary maintenance and repairs. Statement of Financial Accounting Standards No. 71 (SFAS No. 71) identifies the accounting principles to be followed when differences arise between the Authority's cost recovery rate model used to establish rates, fees and charges, and generally accepted accounting principles. The effect of this accounting principle is to defer costs that will be recovered through future revenues in accordance with the rate model. The costs being deferred represent the excess of current depreciation on assets financed with bond proceeds and capitalized interest over current repayments of bond principal and net interest capitalized.

In 2000 and 1999, the effect of SFAS No. 71 was to increase costs to be recovered in future years and to increase nonoperating income by \$1,307,266 and \$1,123,289, respectively.

A summary of the differences between the Authority's rate model and generally accepted accounting principles is as follows:

	2000	1999
Costs excluded from rate model:		
Depreciation of debt financed utility plant	\$ 6,245,234	\$ 6,256,712
Depreciation of capitalized interest	335,684	314,157
Amortization of loss on bond issuance	811,542	548,662
	7,392,460	7,119,531
Costs included in rate model:		
Debt principal repayments	4,650,000	4,460,000
Capitalized interest, net	1,435,194	1,536,242
	6,085,194	5,996,242
Increase in costs to be recovered by future revenues	1,307,266	1,123,289
Costs to be recovered, beginning of year	17,309,811	16,186,522
Costs to be recovered, end of year	\$ 18,617,077	\$ 17,309,811

6. Contributed Capital

Changes in contributed capital for the years ended December 31, 2000 and 1999, were as follows:

	2000	1999
Balance, Beginning of Year	\$ 221,171,207	\$ 215,390,482
Contributed assets	3,888,310	4,577,671
Nonrefundable construction advances	1,026,074	643,340
Expired construction advances	552,300	559,714
Balance, End of Year	\$ 226,637,891	\$ 221,171,207

Contributed assets consist principally of water mains constructed by developers and subsequently donated to the Authority. They are valued at the Authority's estimated cost to construct similar assets. The Authority also receives assets and cash in aid of construction from developers, which are refundable over a 10-year period, based on the number of applicable connections made to the contributed water mains. At the end of 10 years, the portion not refunded is transferred to contributed capital.

7. Bonds Payable

Bonds payable as of December 31, 2000 and 1999, consist of the following:

	Amounts Outstanding	
	2000	1999
\$270,570,000 Water Refunding Revenue Bonds of 1992, due in annual installments ranging from \$1,080,000 to \$22,550,000 through 2029, bearing interest ranging from 3.4% to 6.0%, payable semiannually	\$ 168,320,000	\$ 169,495,000
\$76,305,000 Water Revenue Bonds of 1994, due in annual installments ranging from \$2,020,000 to \$4,465,000 through 2016, bearing interest ranging from 2.9% to 5.15%, payable semiannually	59,995,000	63,205,000
\$102,210,000 Water Refunding Revenue Bonds of 1997, due in annual installments ranging from \$245,000 to \$8,280,000 through 2029, bearing interest from 3.8% to 5.0%, payable semiannually	101,445,000	101,710,000
\$51,160,000 Water Revenue Bonds of 2000, due in annual installments ranging from \$760,000 to \$3,350,000 through 2030, bearing interest from 4.5% to 6.125%	51,160,000	-
Total	380,920,000	334,410,000
Less: Current portion	(6,020,000)	(4,650,000)
Deferred amount on refunding	(9,582,904)	(10,245,285)
Long-term portion	\$ 365,317,096	\$ 319,514,715

On February 23, 1994, the Authority issued water revenue bonds in the aggregate principal amount of \$76,305,000 (the Series 1994 Bonds). The Series 1994 Bonds were issued as additional bonds, in accordance with the General Trust Indenture, and are on parity with the previously issued and outstanding water revenue bonds. The Series 1994 Bonds bear interest rates ranging from 2.90% to 5.15% per annum. The bonds began maturing, subject to early redemption, beginning on April 1, 1995. Interest on the Series 1994 Bonds is payable semi-annually on each April 1 and October 1, which commenced on October 1, 1994. The Series 1994 Bonds are not subject to redemption prior to April 2004.

On February 23, 1994, the Authority placed \$81.6 million of cash and securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1965, 1967, and 1977 series bonds. The 1965, 1967, and 1977 series bonds, which mature between 1994 and 2016, are considered to be defeased; and the liability for those bonds was eliminated in 1994. The debt is considered to be extinguished, even though the refunded bonds continue to be obligations of the Authority until redeemed or called. In conjunction with this transaction, the above-mentioned bonds are deemed to have been paid, and the lien of the 1965 Trust Agreement has been released with no remaining force or effect. Refunded bonds outstanding at December 31, 2000, amounted to \$69,215,000.

Effective July 15, 1997, the Authority issued water refunding revenue bonds in the aggregate principal amount of \$102,210,000 (the Series 1997 Bonds), pursuant to the 1992 General Trust Indenture, with interest rates ranging from 3.8% to 5.0% to advance refund \$93,815,000 of outstanding 1992 series bonds with interest rates ranging from 5.75% to 6.0%. The net proceeds of \$97,628,000 (after \$4,230,049 in bond discounts and \$352,000 in issuance costs) and an additional investment already held by the Authority of approximately \$2,000,000, net of the gain on the investment transferred, were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1992 series bonds. As a result, the refunded portion of the 1992 series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt account. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,861,178. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations, as a component of interest expense, through the year 2029, the life of the new debt, using the effective interest method. The Authority completed the advance refunding to reduce its total debt service payments from 1997 through 2029 by approximately \$5.9 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$3 million. The holders of the refunded bonds have an express lien on all assets held in escrow by the escrow agent. Refunded bonds outstanding at December 31, 2000, amounted to \$93,815,000.

On June 1, 2000, the Authority issued water revenue bonds in the aggregate principal amount of \$51,160,000 (the Series 2000 Bonds). The Series 2000 Bonds were issued as additional bonds, in accordance with the General Trust Indenture, and are on parity with the previously issued and outstanding water revenue bonds. The Series 2000 Bonds bear interest rates ranging from 4.500% to 6.125% per annum. The bonds begin maturing, subject to early redemption, beginning on April 1, 2001. Interest on the Series 2000 Bonds is payable semi-annually on each April 1 and October 1, which commenced on October 1, 2000. The Series 2000 Bonds are not subject to redemption prior to April 2012.

At December 31, the Authority is required to have an account balance with the Trustee sufficient to pay principal and interest due on the outstanding 1992, 1994, 1997, and 2000 series bonds issued under the 1992 General Trust Indenture on the following April 1. At December 31, 2000 and 1999, this amount consisted of cash equivalents of \$2,693,137 and \$211,954 and investments in U.S. Government securities of \$13,638,287 and \$13,411,134 with the market value approximately \$13,837,383 and \$13,402,525, respectively, meeting the requirements of the 1992 General Trust Indenture.

Under the terms of the Indenture, before the commencement of each fiscal year, the Authority is required to fix, establish, or maintain or cause to be fixed, established, and/or maintained such rates, fees, and charges for the provision of water service, and revise or cause to be revised the same prior to the commencement of each fiscal year, as necessary, as will produce net revenues, in the opinion of the Consulting Engineer, at least equal in such fiscal year to the total of 110% of the principal-and-interest requirements during that fiscal year.

Future debt payments under all debt agreements as of December 31, 2000, is as follows:

Due Date (December 31)	Principal	Interest	Total
2001	\$ 6,020,000	\$ 20,429,799	\$ 26,449,799
2002	5,830,000	20,158,978	25,988,978
2003	6,095,000	19,878,876	25,973,876
2004	6,390,000	19,579,538	25,969,538
2005	6,700,000	19,259,584	25,959,584
2006–2010	38,885,000	90,713,078	129,598,078
2011–2015	50,090,000	79,194,061	129,284,061
2016–2020	69,875,000	63,093,741	132,968,741
2021–2025	93,045,000	40,375,284	133,420,284
2026–2030	97,990,000	11,638,181	109,628,181
Total	\$ 380,920,000	\$ 384,321,120	\$ 765,241,120

The 1986 Federal Tax Reform Act requires local jurisdictions to report and rebate arbitrage earnings on debt issues to the Federal Government every five years. As of December 31, 2000 and 1999, the Authority had no arbitrage obligation.

8. Defined Benefit Pension Plan

Plan Description—The Authority contributes to the Fairfax County Water Authority Retirement Plan (the Plan), a single-employer, public-employee retirement system. The Plan document assigns all the responsibilities of maintaining the Plan to the Authority Board, including the approval of Plan changes, setting benefit and contribution levels under the Plan, and ensuring that the Plan is funded sufficiently to meet its benefit obligations. The Authority has established a Benefits Trust Committee to be responsible for the administration of the Plan.

Upon service retirement, a member of the Plan shall receive an annual basic retirement allowance, payable monthly for life, that shall be an amount determined by Plan elections made by the employee. In addition to the basic retirement allowance, members who retire prior to the earliest date of eligibility for social security benefits shall receive a supplemental benefit of 1% of the average final compensation to the social security breakpoint multiplied by the number of years of creditable service. Such allowance will cease upon attaining such eligibility, whether or not application for social security benefits has been made or awarded.

As part of the application for service retirement, a member may elect to receive a decreased basic retirement allowance during the member's lifetime and have such basic retirement allowance, or designated fraction thereof, continued after the member's death to the member's named beneficiary during the remainder of the designated payment period. Retirees or their surviving spouse are eligible for partial payment of certain health insurance premium costs.

Funding Policy—All regular full-time employees of the Authority and members of the Authority who so elect are participants in the Plan. Employee contributions vary between 4% and 5% of annual wages, determined by each participant's Plan elections.

The Authority's funding policy is to make an annual contribution to the Plan in an amount estimated to fully fund all employee benefits at the time of their retirement. The Authority's contribution rate for 2000 and 1999 was 12.37% and 12.66%, respectively, of covered employees' compensation. For 2001, the Authority will contribute 14.31% of covered payroll. The rate increase is due to considering overtime in addition to base pay in the actuarial determination.

The contributions made by the Authority to the Plan for 2000, 1999, and 1998, were in accordance with actuarially determined requirements and amounted to \$2,297,146, \$2,265,901, and \$2,413,711, respectively. Employee contributions amounted to \$921,551, \$849,747, and \$856,082 for the same periods, respectively.

Annual Pension Cost—The Authority’s annual pension cost and contributions made for the current year were \$2,297,146. There is no net pension obligation.

The annual required contribution for the current year was determined as part of the January 1, 1997 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.5% (compounded annually) investment rate on return (net of administrative expenses) and (b) projected salary increases of 6.0% (compounded annually, effective each July 1) per year. Both (a) and (b) included an inflation component of 4%. The assumptions did include postretirement benefit increases of 4%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. As of January 1, 1995, unfunded actuarial accrued liabilities are amortized over 20 years, and any subsequent gains and losses, plan changes, or changes in methods are also amortized over 20 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/1998	\$ 2,413,711	100%	\$ -
12/31/1999	\$ 2,265,901	100%	\$ -
12/31/2000	\$ 2,297,146	100%	\$ -

The unfunded actuarial liability is shown below:

	2001 ⁽¹⁾	January 1, 2000	1999
Actuarial accrued liability:			
a. Members currently receiving payments	\$ 60,604,982	\$ 58,841,177	\$ 49,798,529
b. Former vested members and disabled members	749,998	681,607	851,247
c. Active members	52,955,095	50,352,949	40,612,043
Total	114,310,075	109,875,733	91,261,819
Actuarial value of assets	105,312,853	97,123,180	85,688,273
Total unfunded actuarial accrued liability	\$ 8,997,222	\$ 12,752,553	\$ 5,573,546
Annual covered payroll ⁽²⁾	\$ 18,939,354	\$ 18,218,217	\$ 15,565,252
Funded ratio	92.13 %	88.39 %	93.89 %
Unfunded actuarial accrued liability as % of payroll	47.51 %	70.00 %	35.81 %

(1) Based on December 31, 2000 assumptions.

(2) Annual covered payroll is equal to the Authority's total 2000 payroll increased by 6% for salary scale.

9. Postemployment Benefits Other Than Pensions

The Fairfax County Water Authority Retirement Plan (the Plan) makes contributions to the Fairfax County Water Authority Welfare Benefit Trust (the Trust) for postemployment benefits other than pensions. The Plan provides partial payment of certain health insurance premium costs of the Authority's retirees and surviving spouses. There were 134 active participants receiving postemployment benefits other than pensions in 2000. The benefit is equal to 3% times years of creditable service under the Plan, up to 25 years, times the designated premium. The Plan paid \$531,806 and \$426,053 to the Trust for postemployment benefits other than pensions in 2000 and 1999, respectively.

10. Welfare Benefit Trust

The Authority has established the Fairfax County Water Authority Welfare Benefit Trust (the Trust). The purpose of the Trust is to receive and hold assets to provide medical benefits for Authority employees and retirees. Amounts deposited to the Trust are based on projected benefit levels determined on an annual basis less projected employee contributions. The Authority is protected from catastrophic losses through a stop-loss insurance policy for losses in excess of \$125,000 per individual per year. The Authority and the Retirement Plan contributed \$2,042,106 and \$1,764,790 to the Trust in 2000 and 1999, respectively.

11. Commitments

In connection with its ongoing capital improvement program, the Authority has entered into various construction contracts. As of December 31, 2000, the uncompleted cost of these and other contracts is approximately \$115,973,766.

The Authority has also agreed, in principle, to pay certain portions of the capital and annual operation and maintenance costs relating to various water supply augmentation facilities constructed and proposed to be constructed by other parties for the use and benefit of the Authority and other water supply agencies in the metropolitan Washington area. The Authority's share of the capital costs is presently estimated at \$11,229,000, which is to be paid with interest over the next 40 years. The Authority's share of annual operation and maintenance costs associated with these facilities for 2001 is estimated to be \$130,000.

In addition, the Authority is contingently liable for claims that arose in the ordinary course of operations and in connection with its capital improvement program. It is the opinion of the Authority and legal counsel that any losses that may ultimately be incurred as a result of any claims will not be material to the balance sheet, results of operations, or cash flows.

12. Wholesale Water Revenue

On June 1, 1992, the Authority entered into an Escrow Deposit Agreement with Loudoun County Sanitation Authority and Crestar Bank, as Escrow Agent. On July 1, 1992, Loudoun County Sanitation Authority placed various Resolution Funding Corporation (REFCO) stripped securities into the escrow account with an original value of \$27,377,881, which will provide a cash flow to the Authority of approximately \$2.1 million annually until the year 2029. The Authority may, at any time, substitute the investments in the escrow account with any other investments authorized by the laws of Virginia. The cash flow was designed to be equal to or greater than the cash flow that Loudoun County Sanitation Authority was obligated to pay to the Authority for its purchase of 10 million gallons per day of capacity rights in the Authority's system. The Authority recognized the entire amount as wholesale water revenue in 1992 and has included these as investments held in escrow. At December 31, 2000 and 1999, the carrying amount in escrow was \$30,061,939 and \$27,178,576, respectively.

13. Statements of Cash Flows

The following schedule reconciles net cash provided by operating activities to income from operations:

	2000	1999
Cash Flows From Operating Activities:		
Income from operations	\$ 18,408,181	\$ 21,443,459
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,222,311	14,631,854
Change in assets and liabilities:		
Decrease in customers' receivables, net	111,422	352,879
(Increase) in unbilled revenue	(354,560)	(348,945)
Decrease in other assets	61,270	261,037
Increase in accounts payable	769,506	2,676
(Decrease) increase in customer deposits payable	-	(2,046,877)
Increase in accrued expenses	168,395	182,988
Increase in unearned service connection	391,502	127,814
Total adjustments	16,396,846	13,163,426
Net cash provided by operating activities	\$ 34,778,027	\$ 34,606,885

Supplemental noncash information is presented below:

	2000	1999
Noncash Investing, Capital, and Financing Activities:		
Contributed capital:		
Estimated fair value of utility plant received from developers	\$ 3,888,310	\$ 4,577,671

* * * * *



The Authority takes pride in its commitment to sound planning, state-of-the-art technology, and a respect for the environment.



Fairfax County Water Authority

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